

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 612 - SB 847**

February 27, 2017

**SUMMARY OF BILL:** Creates additional disclosure requirements for sellers of residential real estate property and title companies. Requires a seller of property, prior to entering into a contract with a buyer, to disclose in the contract or in writing the name and address of the fire department which provides fire protection services to the property or disclose that no fire department provides such services to the property according to information provided by the State Fire Marshal's Office. As applicable, the seller must include in such writing the cost to obtain fire protection services to the property, if any, as of the date of the disclosure, if such cost requires additional payment beyond property taxes.

Prior to the closing of settlement and disbursement of any funds for the purchase or sale of a fee simple possessory interest in residential real property, the title company conducting such transaction is required to obtain from the buyer a statement in writing verifying that the buyer received the aforementioned disclosure regarding fire protection services.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue –**

**\$200/FY17-18 and Every Three Years Thereafter/State Fire Marshal's Office**

**Increase Local Expenditures –**

**\$200/FY17-18 and Every Three Years Thereafter/Permissive**

**Assumptions:**

- Based on information provided by the Department of Commerce and Insurance (TDCI), this bill may require the Tennessee Real Estate Commission (TREC) to take actions necessary to ensure that real estate brokers provide the additional disclosure requirements added by this bill.
- Any increase in responsibilities required of the TREC in ensuring adequate disclosure is provided by sellers of residential real estate can be accommodated using existing staff during normal work hours.
- Any increase in responsibilities required of the TDCI's Insurance Division in ensuring adequate disclosure is provided by title companies can be accommodated using existing staff during normal work hours.

- Pursuant to Tenn. Code Ann. § 4-29-121, all regulatory boards are required to be self-supporting over any two- year period. The TREC experienced a surplus of \$777,759 in FY14-15, a surplus of \$331,112 in FY15-16, and a cumulative reserve balance of \$4,412,525 on June 30, 2016.
- Providing disclosure to a potential homeowner that payment in addition to property tax payments may be necessary to secure fire protection services will not increase any payments that would have been made to local government in the absence of this bill.
- Based on information provided by the TDCI, this bill may result in additional fire department recognition applications being filed with the State Fire Marshal's Office (SFMO).
- Pursuant to Tenn. Code Ann. § 68-102-303, no municipality, county or political subdivision may operate a fire department, and no organization, agency, or entity may operate a fire department within this state, unless it has been recognized to do so by the SFMO.
- Based on information provided by the TDCI, three fire departments in this state, or one per grand division, are estimated to currently operate without having sought recognition with the SFMO.
- This bill is estimated to result in all three non-recognized fire departments electing to permissively seek recognition with the SFMO in order to be identified on the SFMO's website ("FD.TN"), which provides geographic listings of the fire department responsible for the jurisdiction of a given address and its primary source of funding.
- An initial fire department recognition application cost is \$50 and must be renewed triennially at a cost of \$50.
- An increase in state revenue of \$150 (3 x \$50) in FY17-18 and \$150 (3 x \$50) every three years thereafter.
- The increase in state revenue reflects an equal permissive increase in local government expenditures in FY17-18 and once every three years thereafter.

## **IMPACT TO COMMERCE:**

### **NOT SIGNIFICANT**

#### **Assumption:**

- It is assumed that real estate brokers and title companies will adhere to the additional disclosure requirements created by this bill; therefore, no significant impact to commerce or jobs in Tennessee.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb